

October 16, 2014

Mr. Todd Fowler
Director of Special Assets
Florida Housing Finance Corporation
227 North Bronough Street, Suite 5000
Tallahassee, FL 32301-1329

RE: Willow Brook Village (96-003S)
Restructure and Extension of the SAIL and SAIL LURA

Dear Mr. Fowler:

Community Housing Initiative Inc., a Florida not-for-profit corporation (“Borrower”), submitted correspondence to Florida Housing Finance Corporation (“Florida Housing”) requesting to restructure the terms of the State Apartment Incentive Loan (“SAIL”) secured by Willow Brook Village, a 56 unit affordable apartment community located in Melbourne, Brevard County, Florida (“Development”). Borrower has agreed to extend the affordability period of SAIL Land Use Restriction Agreement (“LURA”).

At the request of Florida Housing, AmeriNational Community Services (“AmeriNational”) reviewed the Borrower’s request, requested various due diligence referred to herein, and conducted analysis of the Development’s financial statements. AmeriNational relied on the following information to provide this recommendation:

- Borrower’s executed request dated July 9, 2014
- SAIL Promissory Note dated February 13, 1996
- SAIL Land Use Restriction Agreement dated February 13, 1996
- Audited Financial statements for the Borrower for the period ending June 30, 2013
- Year to date internally prepared financial statements for the period ending June 30, 2014
- Annual Management Review and Physical Inspection dated September 17, 2014
- FHFC Past Due Report dated August 22, 2014
- FHFC Noncompliance Report dated August 22, 2014

Background

The Development was originally constructed in 1996 and is located at 3033 College Wood Drive, Melbourne, Brevard County, Florida. The Development's 56 units are contained in 7 residential buildings. They offer twenty four (24) two bedroom, two bathroom units and thirty two (32) three bedroom, two bathroom units.

Proceeds of the outstanding SAIL in the amount of \$4,305,103 were used to acquire the land and construct the existing improvements. The SAIL maintains a first lien position on the Development's site and the improvements constructed thereon. In accordance with the Promissory Note dated February 13, 1996, the SAIL accrues interest at a rate of 9%. Interest is due based on available cash flow with payment priority given to the "Base Interest" accruing at a rate of 3% and the additional 6% interest based on available cash flow. However, since the SAIL is in first lien position, the base 3% interest is payable annually. The SAIL does not amortize and the principal and unpaid accrued interest is due and payable at maturity. The SAIL matured on April 13, 2012. The Development was provided funding from Brevard County to rehabilitate the Development. The Brevard County funding maintains a subordinate position to the SAIL. The obligation in the amount of \$76,949 originated on September 18, 2006 and has a term of 20 years. Providing the funding was used for its intended purpose, the debt will be forgiven at maturity.

In order to procure the SAIL the Borrower committed the Development to set aside twenty four (24) units for families with incomes at or below 40% of Area Median Income ("AMI") and the remaining thirty two (32) units to families with incomes at or below 60% of AMI for a period of 50 years.

AmeriNational reviewed the Borrower's most recent Audited Financial Statements for the period ending June 30, 2013. The statements emphasize that the SAIL is currently in default, which raises substantial doubt about the Borrower's ability to continue as a going concern.

The Borrower is reported on Florida Housing's August 22, 2014 Past Due Report for the aforementioned maturity. No other past due items have been reported for the Borrower and/or its affiliates.

The Borrower and/or its affiliates were not included on Florida Housing's August 22, 2014 Asset Management Noncompliance Report.

As of September 30, 2014, the Development reported one vacancy providing for a 98.2% occupancy rate. AmeriNational's Annual Management Review and Physical Inspection dated September 17, 2014 was deemed satisfactory, requiring no written response.

Proposed Restructure and Extension

The Borrower requested that the SAIL interest rate be modified from a 9% interest rate to a 3% interest rate in exchange for providing a payment to Florida Housing of the deferred interest based on an accrual rate of 3 percent simple interest per annum in no more than five (5) equal annual installments in accordance with Senate Bill 1996 passed into law in 2012 and codified in Chapter 67-48.010 (25), F.A.C. ("SB 1996"). In accordance with SB 1996 Florida Housing shall not proceed with the request until the

Applicant or Developer has satisfied any financial obligations for which the Applicant or Developer, or Principal, Affiliate or Financial Beneficiary of the Applicant or Developer is in arrears to Florida Housing or any agent or assignee of Florida Housing. With the exception of the default related to the maturity of the SAIL, no such arrearages exist at this time.

The Borrower also requested that the terms of the SAIL be further amended to reduce the interest rate from 3% to 1% and extend the term of the loan to allow for the loan to be fully amortized as determined by the Credit Underwriter. Furthermore, they have requested that the interest accrued at 1% over the first five years remain outstanding over the term of the loan and be due and payable at maturity to allow the Borrower to repay the interest currently outstanding that has accrued at the aforementioned 3% rate. Interest accrued at 3% and due and payable as of September 30, 2014 totals \$649,528; therefore, the Borrower would be responsible to pay approximately \$129,906 annually over a period of five (5) years and will be required to remit monthly installments of approximately \$10,826.

AmeriNational reviewed the most recent Audited Financial statement available and year to date internally prepared financial statements for the Development for the period ending June 30, 2014. Based on the analysis conducted, the Development appears to have sufficient Net Operating Income to service the annual \$129,906 in payments to reduce the interest currently outstanding that was accrued at 3% as well as servicing fees at a ratio of 1.19:1. Furthermore, as illustrated in the operating pro forma attached hereto as Exhibit A that was derived from the aforementioned statements, the Development appears to have sufficient Net Operating Income to service the outstanding SAIL in the amount of \$4,305,103 assuming a 1% interest rate and a 35 year amortization period at 1.18:1.

Summary and Recommendation

AmeriNational concludes that the conditions for the restructuring approval, as set forth in Chapter 67-48.0105 (4) through (6), F.A.C. have been met, subject to the conditions below.

AmeriNational therefore recommends that Florida Housing approve the restructuring and extension of the SAIL for a period of 40 years during which interest will accrue at a rate of 1% and extension of the SAIL LURA affordability period. During the first 5 years interest will accrue at 1% on the outstanding principal balance of the SAIL; however, it will remain outstanding over the term of the loan and be due and payable at maturity. Thereafter, interest will continue to accrue at 1% of the outstanding principal balance of the SAIL and the loan will be amortized over a period of 35 years with principal and interest payments due monthly. This recommendation is subject to the following:

1. Satisfactory resolution of any outstanding past due or noncompliance items.
2. Payment of any outstanding arrearages to the Corporation, its legal counsel, Servicer or any agent or assignee of the Corporation for the past due issues applicable to the development team (Applicant or Developer or Principal, Affiliate or Financial Beneficiary, as described in 67-48.0075 (5) F.A.C., of an Applicant or a Developer).
3. Modification of any loan documents required to effectuate the restructuring and extension of the SAIL

4. Review and approval of all loan documents consistent with the terms outlined above by Florida Housing and its legal counsel.
5. Payment of insurance and tax escrow deposits and replacement reserve deposits as determined by Servicer and approved by Florida Housing.
6. Receipt of a non-refundable renegotiation fee equal to one-half of one percent of the SAIL principal amount on the date of the SAIL closing.
7. Prepayment of any required compliance monitoring fees, if applicable.
8. Increase to the replacement reserves to \$300 per unit per year in accordance with Chapter 67-48.0072 (13).
9. Extension of the SAIL LURA to 50 years from the date of the restructured closing.
10. All other due diligence required by Florida Housing and its legal counsel.

Please let me know if you have any questions related to the matters presented herein. I can be reached at (813) 282-4800 Extension 1517.

Sincerely,



Mark Fredericks
Senior Vice President Multifamily Services

FINANCIAL COSTS:		Year 1	Year 1 Per Unit
OPERATING PRO FORMA			
INCOME:	Gross Potential Rental Income	\$453,700	\$8,102
	Miscellaneous	\$10,494	\$187
	Employee Apartment	(\$7,688)	(\$137)
	Cable/Satellite Income	\$31,301	\$559
	Rent Concessions	(\$3,593)	(\$64)
	Gross Potential Income	\$484,214	\$8,647
	Less:		
	Economic Loss Percentage: 3.00%	\$14,508	\$259
	Physical Vac. Loss Percentage: 1.80%	\$8,720	\$156
	Collection Loss Percentage: 1.39%	\$6,746	\$120
Total Effective Gross Income	\$454,240	\$8,111	
EXPENSES:	Fixed:		
	Real Estate Taxes	\$4,822	\$86
	Insurance	\$31,000	\$554
	Variable:		
	Management Fee Percentage: 5.00%	\$22,712	\$406
	General and Administrative	\$16,546	\$295
	Payroll Expenses	\$93,590	\$1,671
	Utilities	\$21,112	\$377
	Maintenance and Repairs/Pest Control	\$37,664	\$673
	Grounds Maintenance and Landscaping	\$11,426	\$204
	Cable Expense	\$23,896	\$427
	Termite Bond	\$3,120	\$56
	Reserve for Replacements	\$16,800	\$300
	Total Expenses	\$282,688	\$5,048
Net Operating Income	\$171,552	\$3,063	
Debt Service Payments			
First Mortgage -	\$145,832	\$2,604	
Other Fees - Agency/Trustee/Service	\$13,691	\$244	
Total Debt Service Payments	\$159,523	\$2,849	
Cash Flow after Debt Service	\$12,029	\$215	
	Annual	Per Unit	
Debt Service Coverage Ratios			
DSC - First Mortgage	1.18	1.18	
DSC - All Mortgages and Fees	1.08	1.08	